

Research Markets Today

19 January 2025

Events Round-Up

NZ: Manufacturing PMI, Dec: 45.9 vs. 45.2 prev.
 CH: GDP (y/y%), Q4: 5.4 vs. 5.0 exp.
 CH: GDP (q/q%), Q4: 1.6 vs. 1.7 exp.
 CH: Industrial production (y/y%), Dec: 6.2 vs. 5.4 exp.
 CH: Retail sales (y/y%), Dec: 3.7 vs. 3.6 exp.
 CH: Fixed investment (ann avg%), Dec: 3.2 vs. 3.3 exp.
 UK: Retail sales ex auto fuel (m/m%), Dec: -0.6 vs. 0.3 exp.
 US: Housing starts (m/m%), Dec: 15.8 vs. 3.0 exp.
 US: Building permits (m/m%), Dec: -0.7 vs. -2.2 exp.
 US: Industrial production (m/m%), Dec: 0.9 vs. 0.3 exp.

Good Morning

US equities ended the week on a strong note, with the S&P500 closing up 1.0%, taking the gain for the week to 2.9%. Themes for the week were a strong start to the earnings season, led by the banking sector, benign CPI inflation data, dovish comments from Fed Governor Waller and, while Treasury yields nudged higher on Friday, the 10-year rate still fell 13bps for the week to 4.63%.

Adding to the positive sentiment to close the week, Trump called Chinese President Xi. Trump said on social media “the call was a very good one for both China and the U.S.A...we discussed balancing Trade, Fentanyl, Tik Tok, and many other subjects”. The readout from the Chinese side was full of warm fuzzies and respectful about natural disagreements saying, “confrontation and conflict should not be an option for the two countries”, adding “The two leaders agreed to set up a channel of strategic communication to keep in regular touch on major issues of shared interest.” During the weekend, the WSJ reported Trump has told advisors he wants to travel to China after he takes office.

News of the Trump-Xi phone call drove down the USD by about 0.5% but the fall wasn’t sustained and prior USD strength returned, with the DXY index up 0.4% for the day. Against a backdrop of broad USD strength, the NZD closed the week on a soft note to just under 0.5585 but it still managed to gain 0.5% for the week. NZD crosses saw some modest upside and downside movements but nothing significant. NZD/AUD closed near the bottom of its range this year at 0.9015.

US second-tier economic releases were stronger than expected and US Treasury yields pushed higher after their release and into the close, seeing the 2-year rate up 5bps on the day and the 10-year rate up 1bp to 4.63%, reversing an earlier fall to 4.57%.

Industrial production rose by a much stronger than expected 0.9% m/m in December, supported by the end of the Boeing strike and weather-related utilities output but core manufacturing production was also stronger, breaking a run of monthly declines. Housing starts surged by 15.8% m/m in December, driven by the volatile multi-family component, but single-family starts were also strong, climbing 3.3% m/m. Building permits fell by a smaller than expected 0.7% m/m.

UK retail sales were much weaker than expected alongside downward revisions, with volumes excluding auto fuel down 0.6% m/m in December. The data followed the previous day’s release showing flat GDP over the three months to November, adding to the narrative of a UK economy struggling to gain any traction under the new government. The release saw EUR/GBP move back up to recent highs, while the broadly stronger USD was the driver behind the 0.6% fall in GBP to 1.2170.

China GDP picked up in Q4 as expected, with positive revisions seeing the annual increase for the quarter at 5.4% y/y, above the expected 5.0%. For the full year, growth matched the government’s 5% target, not coincidentally, with the ramp up in stimulus later in the year saving the day, while the cynical might also refer to a massaging of the data. For the month of December, industrial production was particularly strong at 6.2% y/y, with some front-loading of shipments to avoid forthcoming US import tariffs.

The domestic rates market showed little movement on Friday, with no change across the swaps curve and some curve flattening pressure for NZGBs, with slightly higher rates at the short end and slightly lower rates at the long end. The 2035 bond closed the day down 2bps to 4.74%.

The day ahead will be quiet with no key economic releases, Wellington on holiday and the US on holiday overnight. Trump’s inauguration as the 47th US President begins tomorrow morning NZ time and, soon after, the market will be on the look out for any early executive orders. Indeed, through the week, focus will be on President Trump’s immediate policy decisions.

On the economic calendar this week, domestically the focus will be on the Q4 CPI release on Wednesday. Key global events this week include CPI releases for Canada and Japan, the BoJ meeting at the end of the week where a rate hike is widely expected, UK labour market data and global PMI data.

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Coming Up

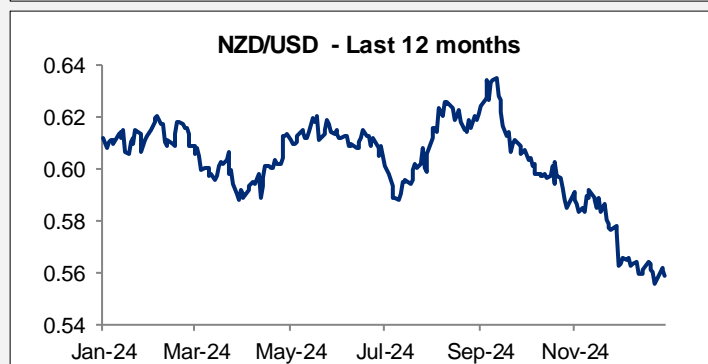
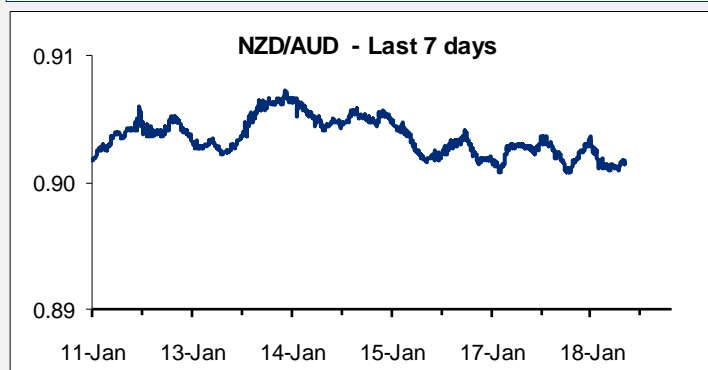
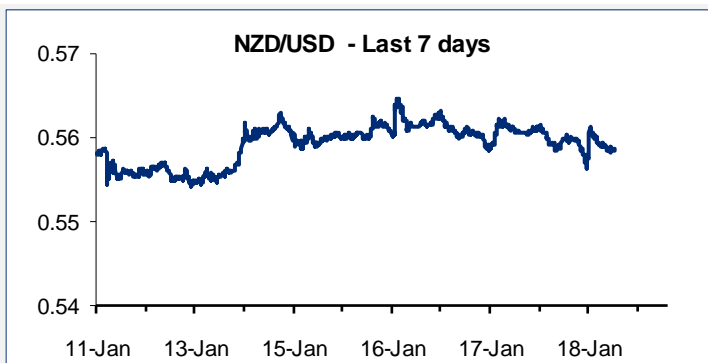
		Period	Cons.	Prev.	NZT
CH	1-Year Loan Prime Rate	Jan	3.1	3.1	14:00
CH	5-Year Loan Prime Rate	Jan	3.6	3.6	14:00

Source: Bloomberg, BNZ

Currencies						Equities				Commodities				
FX Majors	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.5584	-0.4	0.5563	0.5615	CHF	0.9150	+0.5	S&P 500	5,997	+1.0	26.5	Oil (Brent)	80.75	-0.8
AUD	0.6194	-0.3	0.6165	0.6227	SEK	11.195	+0.4	Dow	43,488	+0.8	16.7	Oil (WTI)	78.02	-0.8
EUR	1.0270	-0.3	1.0265	1.0330	NOK	11.453	+0.7	Nasdaq	19,630	+1.5	32.1	Gold	2736.9	-0.4
GBP	1.2169	-0.6	1.2161	1.2228	HKD	7.786	-0.0	Stoxx 50	5,148	+0.8	16.9	HRC steel	698.0	+0.3
JPY	156.22	+0.7	155.41	156.37	CNY	7.325	-0.1	FTSE	8,505	+1.4	14.2	CRB	311.1	-0.1
CAD	1.4473	+0.6			SGD	1.369	+0.1	DAX	20,903	+1.2	27.2	Wheat Chic.	551.0	+0.3
NZD/AUD	0.9014	-0.1			IDR	16,380	+0.0	CAC 40	7,710	+1.0	5.3	Sugar	18.22	-1.0
NZD/EUR	0.5437	-0.1			THB	34.49	-0.3	Nikkei	38,451	-0.3	6.9	Cotton	67.60	+1.3
NZD/GBP	0.4588	+0.2			KRW	1,458	+0.1	Shanghai	3,242	+0.2	14.5	Coffee	328.4	+0.4
NZD/JPY	87.22	+0.3			TWD	32.93	+0.0	ASX 200	8,310	-0.2	12.0	WM powder	3915	+2.2
NZD/CAD	0.8081	+0.3			PHP	58.62	+0.0	NZX 50	13,130	+1.0	12.6	Australian Futures		
NZ TWI	67.48	-0.2						VIX Index	15.97	-3.8	+8.0	3 year bond	96.05	-0.01
Interest Rates										10 year bond 95.46 -0.03				
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields				
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg	Last	Chg			
USD	4.50	4.85	4.14	4.17	USD	4.62	0.01	15-Apr-27	3.76	0.02	BKBM 1-mth	4.36	0.00	
AUD	4.35	4.33	3.94	4.52	AUD	4.50	0.00	15-May-28	3.90	0.02	BKBM 3-mth	4.08	0.00	
NZD	4.25	4.08	3.61	4.22	NZD	4.74	-0.02	20-Apr-29	4.04	0.01	1 year	3.65	-0.00	
EUR	3.00	2.74	2.34	2.48	GER	2.54	-0.01	15-May-30	4.18	0.00	2 year	3.61	0.00	
GBP	4.75	5.30	4.23	4.14	GBP	4.66	-0.02	15-May-31	4.34	-0.00	3 year	3.66	0.00	
JPY	0.23	-0.03	0.70	1.13	JPY	1.20	-0.00	15-May-32	4.49	-0.01	5 year	3.83	0.00	
CAD	3.25	4.97	2.80	3.07	CAD	3.30	-0.05	14-Apr-33	4.59	-0.01	7 year	4.01	-0.00	
								15-May-34	4.66	-0.01	10 year	4.22	-0.00	
								15-May-35	4.74	-0.02	15 year	4.47	-0.00	
								15-May-36	4.82	-0.02				
								15-May-37	4.91	-0.02				
								15-May-41	5.11	-0.03				
								15-May-51	5.27	-0.04				
								15-May-54	5.27	-0.04				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer						NZ Inflation-Indexed Bonds								
Rates at NY close						Sep-30	2.43	-0.04						
Source: Bloomberg						Sep-35	2.85	-0.04						
						Sep-40	3.11	-0.04						

NZD exchange rates

18/01/2025	NY close	Prev. NY close
USD	0.5584	0.5607
GBP	0.4588	0.4581
AUD	0.9014	0.9025
EUR	0.5437	0.5443
JPY	87.22	87.00
CAD	0.8081	0.8071
CHF	0.5111	0.5107
DKK	4.0576	4.0609
FJD	1.3036	1.3165
HKD	4.3492	4.3662
INR	48.38	48.53
NOK	6.3975	6.3717
PKR	155.67	156.26
PHP	32.74	32.86
PGK	2.2579	2.2482
SEK	6.2534	6.2535
SGD	0.7646	0.7665
CNY	4.0919	4.1108
THB	19.25	19.40
TOP	1.3425	1.3566
VUV	68.56	69.88
WST	1.5637	1.5816
XPF	65.11	65.25
ZAR	10.4719	10.5580



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.00	1.30
3 Months	6.70	7.39
6 Months	18.39	19.38
9 Months	31.21	33.15
1 Year	42.82	45.83

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.24	2.00
3 Months	8.00	9.86
6 Months	22.01	25.02
9 Months	37.35	41.95
1 Year	49.53	57.99

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